



California Postsecondary Education Commission

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California Higher Education Accountability

GOAL: Affordability and Equal Participation

MEASURE: Average Indebtedness of Graduates
at Two- and Four-Year Colleges and Universities

Presented by Jessika Jones



GOAL: Affordability and Equal Participation

Is California higher education affordable and accessible to all Californians?

MEASURES:

- Percent of racial representation in systems of higher education compared to racial representation in the state
- **Average indebtedness of graduates at two- and four-year segments**
- Percent of income, by quintile, needed to pay for college, before and after financial aid



Why Measuring Student Indebtedness is Important

- Significant levels of debt are impacting graduates' freedom to make employment choices, including entering public sector careers, such as teaching and social work.
- Many students and families are prone to “debt aversion” and the current financial aid system may be creating access barriers for the very populations who assistance is intended to help.
- Some student populations are more vulnerable to defaulting on loan repayment than others. All borrowers must have a complete understanding of the terms of their borrowing contracts.



Cost Climate for Today's Families

In addition to the increasing cost of college, families are also facing the following trends:

- *A rise in personal healthcare costs;*
- *Families taking on greater consumer debt;*
- *Decreasing rates of personal savings;*
- *Retirement plans shifting from an employer-paid benefit to increased employee contribution; and*
- *Growing income inequity between the wealthy and poor*



Three Varying Data Sources

EdFund Data	National Center for Education Statistics (NPSAS Data)	Institute for College Access and Success (EconomicDiversity.org)
<ul style="list-style-type: none">• Stafford Loans• No Perkins or private loans	<ul style="list-style-type: none">• Includes all federal, state, and institutional student loans.	<ul style="list-style-type: none">• “Total Debt” variable estimates student debt from a variety of sources.
<ul style="list-style-type: none">• Provides estimate by higher education segment	<ul style="list-style-type: none">• Provides estimates based on Carnegie Classification	<ul style="list-style-type: none">• Provides estimates by campus



National Center for Education Statistics

2004 NPSAS Data

	Cumulative borrowed for undergraduate education (Percent of students with loan debt)	Cumulative borrowed for undergraduate education (Average)	Cumulative PLUS loans (Percent of Parents)	Cumulative PLUS loans (Average)
PUBLIC 4-YEAR SECTOR				
Texas	57.0	\$12,543	8.1	\$9,914
California	50.3	\$12,459	6.6	\$12,066
New York	52.7	\$12,321	9.6	\$12,429
Illinois	57.4	\$11,180	8.7	\$11,901
PRIVATE 4-YEAR SECTOR				
New York	69.8	\$15,946	13.8	\$18,767
California	64.6	\$15,243	14.6	\$23,203
Illinois	66.5	\$15,107	13.3	\$14,762
Texas	59.7	\$14,677	11.8	\$15,313
PUBLIC 2-YEAR SECTOR				
California	14.8	\$9,214	1.4	\$12,742
Texas	20.6	\$7,836	1.6	low n
New York	35.5	\$7,380	4.0	\$7,434
Illinois	17.9	\$6,689	1.0	low n



Data Caveats

- Due to insufficient means of measuring all types of family and student borrowing, the debt figures highlighted in this paper should be considered the minimum average of debt incurred
- Staff hypothesizes total student and parent debt levels to be higher than available data shows



Other Debt Sources

- Private loans
- Home Equity Loans
- Line of Credit
- Credit Card
 - 91% of students in final year have a credit card, 56% have at least 4 credit cards
 - Average balance is \$2,864
 - Common purchases by credit cards: textbooks, other school supplies, and food



Why Does California have Comparatively Low Student Debt?

- California student debt levels are among the lowest of the top 15 states (by GSP).
- Tuition is low but cost-of-living is high
- **ACCESS CONCERN:** Could debt aversion among California student populations be impacting student borrowing?
- What would borrowing patterns by ethnicity and parental education look like?



Updating Financial Aid Policy

- In the 1960's , incentive needed to be provided to lenders to offer student loans; such is not the case now
- Private loans, almost non-existent in the mid-1990's now make up 25% of the amount of federal student loans
- Fredrick Hess of American Enterprise Institute
 - Increased policing against suspicious lending activity
 - Limitations on subsidies for upper-income families
 - Increase need-based grants
 - Examine the efficiency of the relationship among lenders, borrowers, and financial aid officers



Closing Thoughts

- California institutions remain affordable compared to other states; however, the continuous erosion of General Fund allocation to higher education is a disturbing trend
- In order to preserve the 50-year commitment to accessible and affordable higher education in California, policymakers must commit to restoring General Fund allocation to higher education, as well as increase grant dollars to students in need.